
Market Arrangements Code Change Proposal – CPM001

Modification proposal	Market Arrangements Code Change Proposal CPM001 – change proposal form update
Decision	Ofwat has decided to accept this change proposal
Publication date	26 June 2017
Implementation date	3 July 2017

Background

The Market Arrangements Code (MAC) came into effect on 1 April 2017 and, amongst other things, sets out the arrangements for how the retail market will operate. Schedule 7 to the MAC contains the forms that can be used to request changes to either the Wholesale Retail Code (WRC) and/or the MAC by an eligible party. There are two different Change Proposal forms under Schedule 7. This proposal seeks to remove these forms from the MAC and insert text that places a requirement on the Market Operator to publish templates that should be used as the basis for Change Proposal forms.

The issue

The Proposer contends that the Change Proposal form alteration process currently in the MAC is not fit for purpose as any change to the Change Proposal forms requires a MAC Change Proposal to be raised and to go through normal Panel governance. The Proposer believes that this approach could unnecessarily prolong the time taken to make changes to the proposal form.

The Modification Proposal¹

Market Operator Services Limited (MOSL), the Market Operator, submitted this proposal to the Codes Panel that removes the Change Proposal forms from schedule 7 of the MAC and inserts text that places a requirement on the Market

¹ The proposal and accompanying documentation is available on the MOSL website at <https://www.mosl.co.uk/market-codes/change#scroll-track-a-change>

Operator to publish the Change Proposal forms. Any changes to these templates must thereafter be agreed by the Codes Panel before publication.

The key rationale that underpins the proposal is that the Change Proposal form templates currently included within the MAC are not fit for purpose and a more efficient and responsive process for managing changes to the Change Proposal form templates would be beneficial to market participants.

Additionally, this proposal seeks to amend typographical errors where section 0 is referenced in several areas.

Panel recommendation

At its meeting on 30 May 2017, the Codes Panel voted by majority to recommend implementation of CPM001 to the Authority (Ofwat) on the basis of improving efficiency. The Panel submitted its recommendation report, incorporating the proposed legal text and supporting information, to Ofwat on 6 June 2017.

Our decision

We have carefully considered the issues raised by the modification proposal and the supporting documentation provided in the Panel's recommendation report. We have concluded that the implementation of CPM001 will better facilitate the principles and objectives of the WRC² detailed in Schedule 1 Part 1 Objectives, Principles and Definitions and is consistent with our statutory duties.

Reasons for our decision

We set out below our views on which of the applicable Code principles are better facilitated by the modification proposal.

Efficiency

The primary reason for this change is to simplify the process for amending the change proposal forms that are considered by the Panel and currently form part of the MAC. Instead, it is proposed that text is inserted into the MAC that places a requirement for the Market Operator to publish WRC and MAC Change Proposal

² Available at <https://www.mosl.co.uk/market-codes/codes>

form templates and a requirement that any changes to these templates must be agreed by the Panel before publication.

We consider that there could be a risk in adopting this proposal that the change proposal forms, if taken out of the MAC and the formal governance process of the Panel may not be adhered to. This may lead to a deterioration in the quality of the evidence accompanying the proposal which could hamper efficient decision making. In our view, the key mitigation against this risk is that the proposal requires the Market Operator and the Codes Panel to keep the Change Proposal forms and templates under review to ensure they remain fit for purpose and sufficiently robust. In addition, they have an incentive to ensure that proposals and their accompanying evidence are of a sufficient quality as we have the power to “send back” modification proposals to the Panel if we are not satisfied that they are adequate to enable us to make a decision. We consider that this incentive and the proposed approach of self-regulation on the part of the Market Operator and the Codes Panel will help ensure that the Change Proposal forms remain fit-for-purpose.

If we see evidence that this is not the case, then we have the ability to propose a change to the MAC to re-insert the change proposal forms. We also note that the proposal will facilitate a more efficient process for amending the templates (for example in the instance of any changes that are of a housekeeping or typographical nature) that would be to the benefit of market participants.

Taking the above into consideration, we consider that the proposal does better facilitate the principle of efficiency.

Simplicity, cost effectiveness and security

Implementing this change will mean that the central systems and processes established by or under the Codes will be more straight forward. The proposal does not impact on any data integrity or security controls. It will also mean that any changes required to the Change Proposal form templates will not automatically have to be consulted upon, thus minimising the cost burden on market participants. We therefore consider that the change better facilitates the principle of simplicity, cost effectiveness and security.

Decision notice

In accordance with paragraph 7.2.8 of the MAC, Ofwat approves this change proposal.

**Cathryn Ross,
Chief Executive**